

**Mortgage Insurance Fairness Act  
(Introduced in Senate)**

S 132 IS

109th CONGRESS  
1st Session  
**S. 132**

To amend the Internal Revenue Code of 1986 to allow a deduction for premiums on mortgage insurance, and for other purposes.

**IN THE SENATE OF THE UNITED STATES**

**January 24, 2005**

Mr. SMITH (for himself and Mrs. LINCOLN) introduced the following bill;  
which was read twice and referred to the Committee on Finance

---

**A BILL**

To amend the Internal Revenue Code of 1986 to allow a deduction for premiums on mortgage insurance, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the  
United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the `Mortgage Insurance Fairness Act'.

**SEC. 2. PREMIUMS FOR MORTGAGE INSURANCE.**

(a) In General- Paragraph (3) of section 163(h) of the Internal Revenue Code of 1986 (relating to qualified residence interest) is amended by adding after subparagraph (D) the following new subparagraph:

` (E) MORTGAGE INSURANCE PREMIUMS TREATED AS INTEREST-

` (i) IN GENERAL- Premiums paid or accrued for qualified mortgage insurance by a taxpayer during the taxable year in connection with acquisition indebtedness with respect to a qualified residence of the taxpayer shall be treated for purposes of this subsection as qualified residence interest.

` (ii) PHASEOUT- The amount otherwise allowable as a deduction under clause (i) shall be reduced (but not below zero) by 10 percent of such amount for each \$1,000 (\$500 in the case of a married individual filing a separate return) (or fraction thereof) that the taxpayer's adjusted gross income for the taxable year exceeds \$100,000 (\$50,000 in the case of a married individual filing a separate return).'

(b) Definition and Special Rules- Paragraph (4) of section 163(h) of the Internal Revenue Code of 1986 (relating to other definitions and special rules) is amended by adding at the end the following new subparagraphs:

` (E) QUALIFIED MORTGAGE INSURANCE- The term  
` qualified mortgage insurance' means--

` (i) mortgage insurance provided by the Veterans Administration, the Federal Housing Administration, or the Rural Housing Administration, and

` (ii) private mortgage insurance (as defined by section 2 of the Homeowners Protection Act of 1998 (12 U.S.C. 4901), as in effect on the date of the enactment of this subparagraph).

` (F) SPECIAL RULES FOR PREPAID QUALIFIED MORTGAGE INSURANCE- Any amount paid by the taxpayer for qualified mortgage insurance that is properly allocable to any mortgage the payment of which extends to periods that are after the close of the taxable year in which such amount is paid shall be chargeable to capital account and shall be treated as paid in such periods to which so allocated. No deduction shall be allowed for the unamortized balance of such account if such mortgage is satisfied before the end of its term. The preceding sentences shall not apply to amounts paid for qualified mortgage insurance provided by the Veterans Administration or the Rural Housing Administration.'

### **SEC. 3. INFORMATION RETURNS RELATING TO MORTGAGE INSURANCE.**

Section 6050H of the Internal Revenue Code of 1986 (relating to returns relating to mortgage interest received in trade or business from individuals) is amended by adding at the end the following new subsection:

` (h) Returns Relating to Mortgage Insurance Premiums-

` (1) IN GENERAL- The Secretary may prescribe, by regulations, that any person who, in the course of a trade or business, receives from any individual premiums for mortgage insurance

aggregating \$600 or more for any calendar year, shall make a return with respect to each such individual. Such return shall be in such form, shall be made at such time, and shall contain such information as the Secretary may prescribe.

` (2) STATEMENT TO BE FURNISHED TO INDIVIDUALS WITH RESPECT TO WHOM INFORMATION IS REQUIRED- Every person required to make a return under paragraph (1) shall furnish to each individual with respect to whom a return is made a written statement showing such information as the Secretary may prescribe. Such written statement shall be furnished on or before January 31 of the year following the calendar year for which the return under paragraph (1) was required to be made.

` (3) SPECIAL RULES- For purposes of this subsection--

` (A) rules similar to the rules of subsection (c) shall apply, and

` (B) the term 'mortgage insurance' means--

` (i) mortgage insurance provided by the Veterans Administration, the Federal Housing Administration, or the Rural Housing Administration, and

` (ii) private mortgage insurance (as defined by section 2 of the Homeowners Protection Act of 1998 (12 U.S.C. 4901), as in effect on the date of the enactment of this subsection).'

#### **SEC. 4. EFFECTIVE DATE.**

The amendments made by this Act shall apply to amounts paid or accrued after the date of enactment of this Act in taxable years ending after such date.